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HOUSE BILL 3073 By
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SENATE BILL 3092
By Henry

AN ACT to amend Titles 5, 6, 9 and 12
relating to authorizing
investments for debt proceeds.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 9-4-602 is amended by adding the following as a new section:

(c)(1) Bond proceeds means the proceeds from the sale of bonds, notes, and other obligations issued by the state funding board, the state school bond authority, the local development authority, state housing agency and the state veterans homes board, and reserves and funds maintained for debt service purposes. Bond proceeds, may not be invested in a guaranteed investment contract with a term of longer than three years from the date of issuance of the obligations.

(2) A guaranteed investment contract is an authorized investment for bond proceeds if the guaranteed investment contract:

- (A) has a defined termination date;
 - (B) is secured by obligations described in section 9-4-103 and secured at a level as required by section 9-4-105
 - (C) is pledged to the entity and deposited with the entity or with an independent third party selected and approved by the entity
 - (D) meets creditworthiness standards set by the state funding board.
- (3) To be eligible as an authorized investment:
- (A) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the resolution authorizing the issuance of bonds;
 - (B) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;
 - (C) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received ;
 - (D) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
 - (E) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

SECTION 2. Tennessee Code Annotated, Section 5-8-301(a)(1) is amended by adding at the end the following:

Or in a guaranteed investment contract as permitted by section 9-4-602 only if the state director of local finance approves the guaranteed investment contract in conjunction

with the proceeds of a particular bond or note, and if the contract is made in accordance with procedures established by the state funding board.

SECTION 3. Tennessee Code Annotated, Section 6-56-106 is amended by adding the following as a new subsection (d) and renumbering the following subsections accordingly:

Proceeds of a particular bond, note or other obligation issued by a municipality, may be invested in a guaranteed investment contract as permitted by section 9-4-602 only if the state director of local finance approves the guaranteed investment contract in conjunction with the proceeds of the particular debt issue, and if the contract is made in accordance with procedures established by the state funding board.

SECTION 4. Tennessee Code Annotated, Section 12-10-111 is amended by adding the following at the end as a new subsection (n):

(n) In addition to any other investments authorized herein, cities, counties, or metropolitan governments may invest, or cause to be invested, the proceeds of loans to such cities, counties, or metropolitan governments from a public building authority in a guaranteed investment contract chosen or established by such public building authority provided:

- (1) such guaranteed investment contract has a defined termination date not exceeding five years from the date of the issuance of the obligation by the public building authority for the purpose of funding such loans;
- (2) such guaranteed investment contract is secured by obligations described in section 9-4-103 and secured at a level as required by section 9-4-105;
- (3) such guaranteed investment contract is issued by an issuer having a credit rating of at least AA by at least one nationally recognized rating agency; and,

(4) the obligations securing such guaranteed investment contract are deposited with an independent third party selected by the public building authority and are pledged pro-rata to the cities, counties, and metropolitan governments receiving such loans.

SECTION 5. If any provision of this act or the application thereof to any person or circumstance is held invalid, such invalidity shall not affect the provisions or application of the act which can be given effect without the invalid provision or application, and to that end the provisions of this act are declared to be severable.

Section 6. This act shall take effect upon becoming law, the public welfare requiring it.